



BEFORE THE ARIZONA CORPORATI

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3 IN THE MATTER OF THE APPLICATION)
 4 OF GLOBAL WATER-PICACHO COVE)
 5 UTILITIES COMPANY FOR AN EXTENSION) OF ITS EXISTING CERTIFICATE OF
 6 CONVENIENCE AND NECESSITY.)

DOCKET NO.:
 SW-20494A-09-0016

6 IN THE MATTER OF THE APPLICATION)
 7 OF GLOBAL WATER-PICACHO COVE WATER) COMPANY FOR AN EXTENSION OF ITS
 8 EXISTING CERTIFICATE OF)
 9 CONVENIENCE AND NECESSITY.)

DOCKET NO.:
 W-20495A-09-0016

EVIDENTIARY
 HEARING

10

11 At: Phoenix, Arizona

12 Date: April 22, 2009

13 Filed:

MAY 06 2009

Arizona Corporation Commission

DOCKETED

MAY - 6 2009

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AZ CORP COMMISSION
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2009 MAY - 6 P 2:03

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NO.

DESCRIPTION

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 1 of said
4 Commission, 1200 West Washington Street, Phoenix, Arizona,
5 commencing at 10:00 o'clock a.m., on the 22nd day of
6 April, 2009.

7

8

9 BEFORE: YVETTE B. KINSEY, Administrative Law Judge

10

11 APPEARANCES:

12

13 For the Arizona Corporation Commission Staff:

14 Ms. Amanda Ho
15 Staff Attorney, Legal Division
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 For the Applicant:

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24

25

KATE E. BAUMGARTH, RPR
Certified Reporter
Certificate No. 50582

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1 ALJ KINSEY: Good morning. I'm Yvette Kinsey,
2 the administrative law judge for the hearing this morning.
3 And this is the time set for the hearing on Global Water
4 Picacho Cove Utilities Company and Global Water Picacho
5 Cove Water Company's applications for extension of their
6 CC&Ns. This is Docket No. SW-204894A-09-0016, et al.

7 May I please have appearances for record.

8 MR. SABO: Good morning, Your Honor.
9 Timothy J. Sabo from the law firm of Roshka DeWulf &
10 Patten on behalf of the applicant.

11 ALJ KINSEY: Good morning, Mr. Sabo.

12 And on behalf of Staff?

13 MS. HO: Good morning, Judge Kinsey. Amanda Ho
14 on behalf of Commission Staff.

15 ALJ KINSEY: Good morning.

16 And, Mr. Sabo, who will you be calling this
17 morning as our witnesses?

18 MR. SABO: Your Honor, we have one witness,
19 Mr. Graham Symmonds.

20 ALJ KINSEY: Okay. And for Staff?

21 MS. HO: Your Honor, we have Mr. Jian Liu, our
22 engineer, and Ms. Linda Jaress representing Staff.

23 ALJ KINSEY: Okay. Thank you.

24 And did we have any procedural issues that we
25 needed to cover before we get started?

1 MR. SABO: No, Your Honor.

2 ALJ KINSEY: Okay. And do you have any members
3 of the public present?

4 (No response.)

5 ALJ KINSEY: Let the record reflect that there
6 are no members of the public present this morning.

7 And, Mr. Sabo, would you like to begin with an
8 opening statement?

9 MR. SABO: No, Your Honor. I would -- we are
10 expecting someone to show up, and we request if they do
11 end up showing up that we be able to take public comment
12 later.

13 ALJ KINSEY: Certainly. No problem.
14 No opening statement?

15 MR. SABO: No, Your Honor.

16 ALJ KINSEY: And from Staff?

17 MS. HO: Staff will waive.

18 ALJ KINSEY: Okay. So we will get started then
19 with you and have you call Mr. Symmonds to be sworn in.

20 MR. SABO: Thank you, Your Honor. We call Graham
21 Symmonds.

22 ALJ KINSEY: Mr. Sabo, is this who you are
23 expecting?

24 MR. SABO: Yes.

25 ALJ KINSEY: Would you like to go ahead and take

1 public comment now?

2 MR. SABO: I think that would be great.

3 ALJ KINSEY: Are you here for public comment?

4 MS. LEWIS: Yes.

5 ALJ KINSEY: If you would come up to the stand
6 and state your name and address so that we can get it for
7 the record.

8 MS. LEWIS: Good morning. My name is
9 Natalie Lewis. I'm with the City of Mesa. We are at
10 20 East Main, Mesa, Arizona 85201.

11 And I'm here today -- I don't know which item
12 it's on the agenda -- but the City of Mesa owns some land
13 in Pinal County, and we have been working with Schuck
14 Companies. They are under contract to purchase the land
15 for us.

16 And in doing some of the research and
17 understanding the research that Schuck provided to us, we
18 are in support and are here today just to indicate our
19 support for transferring the CC&N to Global Water.

20 ALJ KINSEY: Okay. And you are here in support
21 of the application?

22 MS. LEWIS: I am. Thank you.

23 ALJ KINSEY: All right. Did we have anyone else
24 here this morning?

25 (No response.)

1 ALJ KINSEY: No. Okay. All right.

2 MR. SABO: We call Mr. Symmonds.

3 ALJ KINSEY: Okay. Great.

4

5 GRAHAM SYMONDS,

6 called as a witness herein, on behalf of the Applicant,

7 having been first duly sworn, was examined and testified

8 as follows:

9

10 DIRECT EXAMINATION

11

12 BY MR. SABO:

13 Q Good morning, Mr. Symmonds.

14 A Good morning.

15 Q Could you tell us your name and business address
16 for the record.

17 A My name is Graham Symmonds. I work at Global
18 Water Resources, 21410 North 19th Avenue, Phoenix.

19 Q And could you tell us by whom you are employed
20 and in what position?

21 A I'm employed by Global Water Management in the
22 position of senior vice president of regulatory affairs
23 and compliance.

24 Q And chief technical officer?

25 A And chief technical officer.

1 Q We didn't want to leave that off.

2 There should be a number of exhibits before you.

3 Do you have those?

4 A I do.

5 Q And let's go through them in order. There should
6 be one marked A-1.

7 Do you have that?

8 A I do.

9 Q And is that the application filed by the
10 applicants on January 16, 2009?

11 A Yes.

12 Q And do you adopt it today as part of your sworn
13 testimony?

14 A I do.

15 Q And then could you turn to A-2?

16 A Yes.

17 Q And are those responses to data requests provided
18 by the applicant to the Commission Staff?

19 A Yes.

20 Q And the last one, I believe, addresses the Villa
21 Grande Domestic Water Improvement District?

22 A It does.

23 Q And do you adopt these data requests as part of
24 your sworn testimony today?

25 A Yes.

1 Q. And turning then to Exhibit A-3, which is a
2 letter from the City of Mesa, do you have that?

3 A. I do.

4 Q. And is that a true and correct copy of the letter
5 you received from the City of Mesa with respect to this
6 case?

7 A. Yes, it is.

8 Q. And the letter indicates, does it not, the
9 support of the City of Mesa for the extension of the CC&N?

10 A. That's correct.

11 Q. And the City of Mesa is the landowner of the
12 areas you are requesting a CC&N extension for in this
13 application?

14 A. Yes.

15 Q. And could you turn to Exhibit A-4, please.

16 A. Okay.

17 Q. And are those the affidavits of mailing and
18 publication?

19 A. They are.

20 Q. And they demonstrate that the applicant provided
21 notice in accordance with the procedural order?

22 A. Yes, sir.

23 Q. And could you turn to Exhibit A-6?

24 A. Okay.

25 Q. I'm sorry, A-5. I got ahead of myself.

1 Is that the updated legal description?

2 A. It is.

3 Q. And that was worked out in cooperation with Staff
4 to meet their requirements?

5 A. That is correct.

6 Q. And could you now turn to A-6?

7 A. Okay.

8 Q. And is that a letter that was received earlier
9 this week from the entity that is purchasing or has
10 contract to purchase some of the land in the extension
11 area?

12 A. It is.

13 Q. And it indicates that they are requesting service
14 as well?

15 A. Yes.

16 Q. And could you turn to Exhibit A-7? And I believe
17 you have a larger version here.

18 A. We do.

19 Q. And does this map accurately reflect the
20 extension area that is being requested in this case?

21 A. It does. On this map it shows it all in a brown
22 color.

23 Q. And why don't you walk us through some of the
24 features of the map.

25 You said the brown area is the extension area?

1 A. That's correct. Our existing CC&Ns for Picacho
2 Cove Water and Picacho Cove Utilities are shown in the
3 yellow and the red crosshatch.

4 The large black cross-hatched area represents our
5 applications for a 208 area-wide regional water quality
6 master management plan for the area, which delineates
7 where water reclamation facilities and discharges of the
8 water to United States would be located.

9 The brown area represents the extension area, the
10 City of Mesa land.

11 The yellow represents the Schuck component of
12 that and their planning for a transportation commercial
13 hub.

14 The blue area surrounding it all represents the
15 Pinal County franchise area that we actually just got
16 approved last week. We will be filing that as a
17 requirement of our original CC&N, but it also includes the
18 areas for this existing -- or, I'm sorry, the new
19 extension area.

20 Q. And the proposed use of land is for commercial
21 and warehouses and those sorts of things?

22 A. That is my understanding, that it's a
23 transportation commercial hub for some distribution.

24 Q. And there is a Union Pacific rail line adjacent
25 to the property?

1 A. Correct, a spur line runs north/south and
2 provides direct access into the area. It makes it an
3 ideal location for the commercial industrial facilities.

4 Q. And the area is also fairly close to the
5 interstate as shown on this map?

6 A. Yes. I-10 runs east/west, and it's just four
7 miles to the north of I-10.

8 Q. And the green area on the map, that is the Villa
9 Grande Domestic Water Improvement District that you
10 mentioned earlier?

11 A. Correct, the dark green, which shows up at the
12 top section here. The light green is the City of Eloy.

13 Q. And the Domestic Water Improvement District is in
14 an older district; is that correct?

15 A. Correct.

16 Q. And they are not capable of providing service?

17 A. No, nor do they want to.

18 Q. Would you turn then to the exhibit that is marked
19 A-8, which should be the proposed potable water system?

20 A. Yes.

21 Q. And could you briefly describe what is shown on
22 the map and how the applicant intends to provide potable
23 water service to the extension area?

24 A. These are larger pictures of Exhibits A-8 and
25 A-9. This area has been regionally planned from an

1 infrastructure perspective, so what we have done is been
2 able to pick out elements of that regional plan to be able
3 to provide service into the Mesa areas. We had to do the
4 regional planning in order for us to make application for
5 the 208 plan amendment.

6 But from a water perspective, there is a number
7 of groundwater wells out in the area that we are looking
8 at rehabilitating and converting into potable water
9 supply.

10 And the location of that water distribution
11 center is up here in the northeast corner of the Mesa
12 property, and then we will provide distribution mains
13 along section lines as well as some internal distribution
14 mains will be done under line extension agreements for
15 individual parcels within that area.

16 Q And then could you turn to the exhibit marked
17 A-9?

18 A Yes.

19 Q And is that the proposed map of the proposed
20 wastewater and recycled water systems?

21 A It is.

22 Q And could you likewise provide a brief overview
23 using the map of how the applicant intends to provide
24 wastewater and recycled water to the extension area?

25 A As I mentioned earlier, the regional planning

1 elements that we picked out have a -- initially a small
2 water reclamation facility up in the northeast area that
3 ultimately will grow into a regional facility for the
4 entire area. It starts off at around 400,000 gallons a
5 day. Ultimately it could serve up to 10 million gallons a
6 day as the regional plan moves out.

7 But what we have got is, the lay of the land is
8 sloping down from south to north. So all of our gravity
9 mains are collecting wastewater from the service area,
10 moving it up again into the northeast corner of the
11 property. And then what we will do is take our recycled
12 water and provide it back to the users in the area for
13 common area irrigation and any other nonpotable sources.

14 There may be some opportunities, depending on the
15 mix of the commercial development to be able to use some
16 of that recycled water as a processed water within the
17 development. We don't know exactly what that mix is going
18 to be, but we will have the facility to provide
19 pressurized recycled water to all areas within the
20 extension area.

21 From a discharge perspective or a recycled water
22 management plan, we also included recharge wells in the
23 area to enter -- we use the water to its highest and best
24 direct use first and recharge second.

25 Q Thank you, Mr. Symmonds.

1 Do you adopt Exhibits A-1, 2, 3, 4, 5, 6, 7, 8,
2 and 9 as part of your testimony today?

3 A. Yes.

4 MR. SABO: Your Honor, I would move Exhibits A-1
5 through A-9.

6 ALJ KINSEY: Any objection?

7 MS. HO: No objection.

8 ALJ KINSEY: A-1 through A-9 are admitted.

9 (A-1 through A-9 were admitted.)

10 MR. SABO: Thank you, Your Honor. Mr. Symmonds
11 is available for cross-examination.

12 ALJ KINSEY: Okay.

13 Any questions for this witness, Ms. Ho?

14 MS. HO: I do.

15

16 CROSS-EXAMINATION

17

18 BY MS. HO:

19 Q. Good morning, Mr. Symmonds.

20 A. Good morning.

21 Q. I just have a few questions.

22 How large is the currently certificated area in
23 areas or sections?

24 A. I believe it's around 1400, 1500 acres.

25 Q. And where the additional territory that you are

1 requesting is located, is that contiguous to the
2 certificated area?

3 A. It's not. The current certificated areas are
4 shown in yellow. And you can see that there are two of
5 those that are also noncontiguous, but this extension
6 deals with another noncontiguous element.

7 The reason why they are not contiguous is that we
8 can only request a CC&N extension for land that the owners
9 have requested service. And so we have the franchise
10 agreement in place, which allows us to put infrastructure
11 to connect them in County rights-of-way, but they are
12 noncontiguous simply because we haven't received requests
13 for service from the property in the middle.

14 Q. And how large is the additional territory?

15 A. 2296 acres. Yes, 2296 acres.

16 Q. And when do you anticipate development will
17 commence in this area?

18 A. That is always a bit of a tough question at this
19 point in time, but we are anticipating construction in
20 late 2010, 2011, that time frame.

21 One of the benefits of this particular extension
22 is that it's a nonresidential extension, and it has some
23 great opportunities to provide jobs and infrastructure for
24 jobs in the Eloy area. So it is a little bit less
25 susceptible to the downturn in the residential housing

1 market. But obviously from a landowner perspective, they
2 are going to be looking at the economics of the
3 development critically and continuously over the next
4 couple years.

5 Q And do you anticipate that the water company will
6 begin to serve new customers around the same time frame --

7 A Yes.

8 Q -- in the development?

9 And how many new customers will be served in that
10 time frame?

11 A That again is a little bit tough to pin down
12 because it's a nonresidential area. What we did in the
13 application was broke it out into 100-acre chunks and
14 looked at servicing 100 acres in each calendar year. So
15 for the first five years it goes from 0 to 500 acres of
16 service area. And depending on the mix of the
17 development, whether it be commercial, industrial, or
18 light commercial, you can imagine that the number of
19 customers is a little bit dependent on exactly what it is
20 they are doing.

21 Q And have you reviewed all of Staff's
22 recommendations, and do you agree with those
23 recommendations?

24 A I do. I have and I do.

25 Q Have you seen any objections to the proposed

1 certification?

2 A. We have not.

3 Q. And how many requests for service have you
4 received?

5 A. Well, we received one from the landowner, the
6 City of Mesa, and that is supplemented by a request for
7 service from the Schuck Corporation, which is the
8 purchaser of about three-quarters of that area.

9 Q. And could you give me any status update on the
10 designation of assured water supply?

11 A. We haven't made application for that yet. We are
12 in the process of doing the hydrologic studies for our
13 existing CC&N area. And what we will end up having to do
14 is make the application for the new area in conjunction
15 with that, the original area.

16 Q. And the same question, the status on the aquifer
17 protection permit?

18 A. You can't get -- the ADEQ rules now require that
19 you demonstrate 208 consistency before they will move you
20 into substantial review of the aquifer protection permit.
21 So we have to get the 208 improved, which is currently
22 under review by CAAG, the Central Arizona Association of
23 Governments, and we have to go through that process before
24 we can get past the initial application for an APP.

25 Q. Do you know how close you are to getting the 208

1 approved?

2 A. I'd say we are about nine months.

3 Q. Now, how will the expense of the expansion be
4 divided between shareholders and advances in aid of
5 construction in the application? We know from the
6 application you mentioned that it would be divided between
7 the two.

8 A. In-parcel activities are always done by advances
9 in aid of construction. So that -- that really represents
10 inside those section lines. And along the section lines
11 are the backbone plant that will be funded by equity from
12 the utility or through the parent.

13 Q. And then finally, does the extension area fall
14 into Global's planning area set forth in the settlement
15 agreement between Global and Arizona Water?

16 A. It has nothing to do with that settlement area.
17 It falls within our planning area with the City of Eloy
18 and our memorandum of understanding with the City of Eloy.

19 MS. HO: That is all. Thank you.

20 THE WITNESS: Thank you.

21

22 EXAMINATION

23

24 BY ALJ KINSEY:

25 Q. Good morning, Mr. Symmonds.

1 A. Good morning, Your Honor.

2 Q. I want to make sure I'm clear. I believe on your
3 map there, which is my A-7, the Schuck property, which you
4 said was about three-fourths of the requested extension
5 area, is that outlined in the yellow?

6 A. It is.

7 Q. Okay. And then mine doesn't show the city of
8 Eloy boundaries.

9 Is that correct? Is that the lighter green
10 there?

11 A. It is.

12 Q. Okay.

13 A. I think it just didn't photocopy very well. It
14 is in the legend but didn't print out very well in that
15 A-7.

16 Q. Okay. And then the lighter green, which is
17 darker green on yours, is actually the Villa Grande
18 Domestic Improvement District; correct?

19 A. That's correct.

20 Q. Are there currently facilities out there now, any
21 infrastructure?

22 A. No, not in our service areas.

23 Q. Okay. And you talked a little bit about the
24 proposed development out there.

25 Can you give me any more details on what you

1 think may be occurring in this area?

2 A. In the extension area proper?

3 Q. In the extension area.

4 A. The discussion we have had with Transport Arizona
5 is that it's really a distribution center where rail
6 facilities can come in and drop off goods and can pick up
7 goods and take them away for delivery elsewhere. Plus it
8 has direct access through -- to the highway.

9 So I would characterize it as a distribution hub,
10 but there may be some opportunity for some light
11 industrial activity to go on and complement that. It's
12 not all warehouses. There could be some manufacturing
13 that goes on and uses the distribution from it to be able
14 to move those goods.

15 Q. Okay. And the memorandum of understanding that
16 has been executed between Global and the City of Eloy,
17 describe for me how that came about and what are the fees
18 that are associated with Global paying the City for.

19 A. The memorandum of understanding came about
20 through initial discussions with the landowners in our
21 original CC&N extension areas. And what we wanted to do
22 was make sure that these extension areas weren't small
23 islands of infrastructure.

24 So rather than just looking at what was
25 originally about a two-and-a-half-section extension area,

1 we didn't want to have those isolated out from an
2 infrastructure perspective. And so we always wanted to be
3 able to provide a regional solution for water, wastewater
4 and recycled water.

5 And that led us into the discussions with the
6 City of Eloy about expanding our collective planning
7 areas. And so we essentially came to an understanding of
8 where the City wanted to serve and where they didn't want
9 to serve, and we offered to provide service within areas
10 that they didn't want to take their own physical
11 infrastructure into.

12 And that evolved into a memorandum of
13 understanding for the -- between the City of Eloy and
14 ourselves, Global. And within that there is some
15 contributions to economic development, 6150 a month that
16 we provide the City of Eloy to further their economic
17 development activities. And there is another fee that we
18 pay \$100 a hookup in this planning area.

19 Q Okay. And the letter that was filed by -- I want
20 to make sure that I'm clear on this.

21 We have the area that is on A-7 that is outlined
22 in yellow, which the potential property owner is Schuck?

23 A. That's correct.

24 Q And then the City of Mesa owns all of the red?

25 A. That's correct.

1 Q. And is the other areas that are outside of the
2 yellow area that will potentially be sold to Schuck, are
3 those other areas for sale also?

4 A. I'm not sure if I can answer that question. I
5 understand that the area that Schuck is interested in
6 could slide up or down a little bit based on how they want
7 to make their development go forward. And so the City of
8 Mesa have requested that all of their property be included
9 in the CC&N application to allow for some of that fluidity
10 in what Schuck is going to acquire.

11 Q. Okay. And then the letter, which I believe is
12 Exhibit A-3, from the City of Mesa, where it talks about
13 the Villa Grande Domestic Water Improvement District,
14 explain to me how that is connected to this proposed CC&N
15 extension.

16 A. It is connected by what was the original
17 geographic boundaries of the Villa Grande Domestic Water
18 Improvement District. And originally there is a
19 not-so-easy-to-read map attached to it, that their
20 original geographic area extended into what would be our
21 proposed service area.

22 And subsequent to that original filing, which
23 existed in the ACC's geographic database, the actual
24 service area, what was collapsed by the Water Improvement
25 District, that collapsing activity in the one hatched

1 section you see on green in A-7 was -- that never -- that
2 smaller service area never made it into the ACC's mapping
3 system. So we have to resolve the fact that it looked
4 like the Villa Grande Domestic Water Improvement District
5 was much larger than it was and existed in areas that we
6 were requesting service.

7 So that is what this letter speaks to, and it
8 shows the resolution of the City -- or actually it's a
9 resolution of Pinal County, which shrinks that down into
10 its true size.

11 Q. Okay. And you probably didn't have the benefit
12 of the amended legal description that was just brought to
13 my office by Barb Wells which, I think, shows it in color.

14 A. Right.

15 Q. And it's a better depiction of what is going on.
16 Okay. I just wanted to make sure I was clear on that.

17 And in your -- I thought I saw in your exhibits
18 there was a notice of filing that I received on April 21st
19 that included the letter from Schuck Arizona, LLLP?

20 A. Right.

21 Q. And it refers to Exhibit A, but there was no
22 Exhibit A.

23 Is that one of your exhibits that you just --
24 that we just admitted?

25 Mr. Sabo, is that one of the exhibits we just

1 admitted?

2 MR. SABO: You were -- the letter is Exhibit --

3 ALJ KINSEY: And it's just one sheet. That's
4 right.

5 MR. SABO: It's Exhibit A-6, and we did not
6 include the notice of filing. We just provided the
7 letter.

8 ALJ KINSEY: But should there be an
9 Exhibit A attached to that, which would show the legal
10 description for that area?

11 MR. SABO: It does look that way, Your Honor, and
12 it may have been inadvertently omitted.

13 ALJ KINSEY: Okay. Do you want to just file that
14 as maybe a late-filed exhibit just to make sure that we
15 have the legal description correct for the potential area?

16 MR. SABO: Sure.

17 THE WITNESS: And just so we are clear, the City
18 of Mesa owns the land currently, and that is who the
19 request for service came from. This is a supplemental
20 request for service that should the land change hands
21 during that -- during our review process or application
22 process that they also requested service.

23 Q BY ALJ KINSEY: Okay. I think that is clear.

24 Do you have a copy of Staff report up there?

25 A I have one, yes.

1 Q. I just wanted to ask you a question about
2 something that Staff put in the Staff report. It's on
3 page 3 where it talks about Picacho Cove Utilities plant,
4 and it says the company plans to use recycled water to
5 irrigate turf.

6 What kind of turf areas are we talking about?

7 A. Those would simply be areas that are landscapes
8 from a aesthetic purpose. They are not large-scale turfed
9 areas.

10 We actually have no golf courses or anything like
11 that going into this extension area. So it would really
12 be analogous to the front of an office complex having a
13 small piece of turf.

14 Q. And would your company use groundwater to
15 irrigate those areas until there is available reused water
16 or recycled water?

17 A. Yes. If they are required before the generation
18 of recycled water, we would have to use groundwater for
19 that purpose.

20 Q. Okay. But no major water features or anything
21 else --

22 A. No.

23 Q. -- that Commission should be concerned about?

24 A. No.

25 Q. And how long do you anticipate it will take to

1 generate any effluent or recycled water?

2 A. Well, it starts immediately, but obviously it
3 takes some time to generate enough volume that it makes
4 sense to move it back. And if -- I would say that within
5 the first year that we would be generating -- would be
6 generating recycled water. Whether I can say it would be
7 enough for the nominal irrigation demand, I can't say
8 exactly now because I don't know what that is at the
9 moment. It depend on the infrastructure.

10 Certainly ADWR has requirements on using
11 groundwater and using recycled water. And because we
12 don't have a -- we are not planning an irrigation common,
13 which would be a lake in the area, we wouldn't necessarily
14 need an interim use permit, which ADWR allows you to use
15 to fill and refill lakes while you are generating enough
16 recycled water or until you generate enough recycled
17 water.

18 But I suspect in this particular area the
19 irrigation demand is going to be relatively low, and we
20 will be able to cover it all within a couple years with
21 recycled water.

22 Q. Okay. And then I have one other question
23 concerning the possible conversion of an agricultural
24 well. I don't know if there is one or more than one for
25 potable use.

1 Does the company anticipate there would be any
2 ADEQ issues with that?

3 A. We are in the process of looking at the data now.
4 We go through a three-step process evaluating wells,
5 looking at all historic data that is out there from ADWR
6 and ADEQ, and there is not usually a lot in terms of
7 quality.

8 What we do is we figure out which wells from a
9 certain perspective look good and then we actually go to
10 physically test those wells. And then if there are -- and
11 on the basis of those tests we decide which one we are
12 actually going to rehabilitate.

13 So from an understanding of the exact water
14 quality of the area, I can't say whether or not we will
15 have to provide treatment or blending or some other form
16 of insurance that we meet all maximum contamination
17 levels.

18 The area in our Santa Cruz service area, we
19 haven't required treatment for any water constituents, but
20 we are another 20 miles to the east in this particular
21 development. And so we still have to figure it out
22 exactly as to what the water quality will be and then make
23 out treatment decisions or blending decisions based on
24 those.

25 Q. And how many of these existing agriculture wells

1 are there out there in the proposed extension area?

2 A. There are quite a few in our application. We had
3 provided a map of the existing wells in the area, and it
4 was attached to the engineering report. It was -- it's
5 titled Exhibit 6, Attachment B.

6 Q. Okay.

7 A. And what it does is it shows the location of
8 wells in the area. So we have a number from which to
9 choose and evaluate for rehabilitation.

10 ALJ KINSEY: Okay. I believe that was all the
11 questions I had.

12 Any redirect, Mr. Sabo?

13 MR. SABO: No, Your Honor.

14 ALJ KINSEY: Okay. Thank you, Mr. Symmonds.

15 THE WITNESS: Thank you.

16 ALJ KINSEY: And, Ms. Lewis, if you don't mind,
17 could I ask you a question of where you are in the process
18 with Schuck Arizona as far as the purchase of the land in
19 the proposed extension area.

20 MS. LEWIS: Yes, Your Honor. We are currently in
21 a negotiation phase with them right now. We had a
22 contract with them for a phased closing for the land that
23 is shown in the exhibit, and they have asked us to
24 reconsider the purchase price based on the economy and
25 land values of the area. So we are currently under

1 discussions with them right now for continuing forward
2 with their project. We still feel very confident in
3 moving forward with the project as we work through the
4 details.

5 At this point from a timing perspective and what
6 they are telling us is, we are hoping to within the next
7 90 to 180 days have an amendment to the contract to move
8 forward and then probably to begin construction within a
9 year and a half or two years.

10 ALJ KINSEY: Okay. Thank you very much.

11 And no other witnesses, correct, Mr. Sabo?

12 MR. SABO: That's correct, Your Honor.

13 ALJ KINSEY: Okay. So we will have Staff.

14 Ms. Ho, if you will call your first witness, we
15 will begin.

16 MS. HO: Staff would like to call Jian Liu.

17 ALJ KINSEY: Thank you.

18

19

JIAN LIU,

20 called as a witness herein, on behalf of Staff, having
21 been first duly sworn, was examined and testified as
22 follows:

23

24

25

1 DIRECT EXAMINATION

2

3 BY MS. HO:

4 Q. Good morning.

5 A. Good morning.

6 Q. Please state your name and business address for
7 the record.8 A. My name is Jian Liu. Business address is 1200
9 West Washington Street, Phoenix, Arizona 85007.10 Q. And by whom are you employed and in what
11 capacity?12 A. I'm employed by Arizona Corporation Commission as
13 a water/wastewater engineer.14 Q. Would you briefly describe your job
15 responsibilities?16 A. Yes. My job responsibilities include inspection,
17 investigation, evaluation of water/wastewater systems,
18 providing written and oral testimony on CC&N in the rate
19 applications.20 Q. And did you prepare the engineering report that
21 is attached to the Staff report and has been marked
22 Exhibit S-1 in front of you?

23 A. Yes.

24 Q. Could you briefly summarize your report?

25 A. After review of company's application Staff

1 concludes proposed water and wastewater facility will have
2 adequate capacity to serve in the requested area. There
3 is two recommendations for water and two recommendations
4 for wastewater.

5 Q. Could you please tell us what those
6 recommendations are?

7 A. For water system Staff recommends the company
8 file with docket control as compliance item in this docket
9 copies of ATC for Phase I of the development when received
10 by the company no later than three years after the
11 effective date of the order granting these applications.

12 Second recommendation is the company file with
13 docket control as compliance item in this docket a copy of
14 the ADWR designation of assured water supply within
15 three years.

16 Q. Is there anything else you would like to add?

17 A. No.

18 Q. Thank you.

19 MS. HO: He is available for cross.

20 ALJ KINSEY: Any questions for this witness,
21 Mr. Sabo?

22 MR. SABO: Just one question, Your Honor.

23

24

25

1 CROSS-EXAMINATION

2

3 BY MR. SABO:

4 Q Mr. Liu, one of your recommendations is that
5 Picacho, the applicant, file a general permit for Phase I,
6 for the wastewater plant; is that correct?

7 A That's correct.

8 Q And by general permit, do you mean the ADEQ for
9 one general permit?

10 A Yes. I think sometimes they use a different
11 name. Basically that is for the wastewater connection
12 within the development area. Basically, yeah, sometimes
13 it's called general permit. But, yeah, that is the
14 wastewater connection permit.

15 MR. SABO: Thank you.

16 ALJ KINSEY: No other questions, Mr. Sabo?

17 MR. SABO: That was it.

18 ALJ KINSEY: Okay. And I don't believe I have
19 any questions either. Thank you very much for your
20 testimony.

21 If you would like to call your next witness.

22 MS. HO: Now Staff would like to go ahead and
23 call Ms. Linda Jaress.

24

25

1 LINDA JARESS,
2 called as a witness herein, on behalf of Staff, having
3 been first duly sworn, was examined and testified as
4 follows:

5

6 DIRECT EXAMINATION

7

8 BY MS. HO:

9 Q Good morning.

10 A Good morning.

11 Q Would you state your name and business address?

12 A My name is Linda Jaress. My business address is
13 1200 West Washington, Phoenix, Arizona.

14 Q And by whom are you employed and in what
15 capacity?

16 A I'm an Executive Consultant III for the Arizona
17 Corporation Commission.

18 Q Would you briefly outline your job
19 responsibilities?

20 A I do special projects for the director, currently
21 those are rate cases, CC&Ns and affiliated interest rule
22 proceedings.

23 Q And were you assigned to evaluate the application
24 in this case?

25 A Yes.

1 Q. Did you work with anyone else on this
2 application?

3 A. Yes, Jian Liu.

4 Q. You have in front of you what has been marked
5 Exhibit S-1. Would you please identify that for the
6 record.

7 A. That is the Staff report in this docket.

8 Q. And was it prepared by you or at your direction?

9 A. Yes.

10 Q. Do you have any additions, corrections or
11 modifications to make to the Staff report?

12 A. No -- well, yes. Ordinarily we file, Staff files
13 the maps with the Staff report, and in this case there was
14 an area to work out and so we filed it today.

15 Q. And has that been marked Exhibit S-2?

16 A. Yes.

17 Q. Do you have any additional changes to either S-1
18 or S-2?

19 A. No.

20 Q. Do you adopt S-1 and S-2 as your sworn testimony?

21 A. Yes.

22 MS. HO: Your Honor, at this time I would like to
23 move S-1 and S-2 into evidence.

24 MR. SABO: No objection.

25 ALJ KINSEY: All right. S-1 and S-2 are

1 admitted.

2 (S-1 and S-2 were admitted.)

3 Q BY MS. HO: Ms. Jaress, are you satisfied that
4 the applicant is capable, fit and proper for providing
5 service to this area?

6 A Yes.

7 Q In talking about Picacho Cove Water Company has
8 Staff reviewed the proposed water plan, infrastructure,
9 and related costs?

10 A Yes.

11 Q And does Staff believe those costs be reasonable
12 and appropriate?

13 A Yes.

14 Q As far as you know is the company in compliance
15 with all Commission orders?

16 A Yes.

17 Q Rules and regulations?

18 A Yes.

19 Q And now turning to Picacho Cove Utilities
20 Company, has Staff reviewed the proposed water plant
21 infrastructure and related costs?

22 A Yes.

23 Q And does Staff believe those costs are reasonable
24 and appropriate?

25 A Yes.

1 Q. And the same question: As far as you know, is
2 the company in compliance with all Commission orders,
3 rules, and regulations?

4 A. Yes.

5 Q. Would you please summarize the recommendations
6 you have in the Staff report?

7 A. Basically that Staff recommends approval of the
8 extension. Mr. Liu summarized the engineering
9 recommendations, and I adopt those as part of the Staff
10 report.

11 Q. And in your opinion does granting the CC&N
12 extension serve the public interest?

13 A. Yes.

14 Q. Is there anything you would like to add?

15 A. No.

16 MS. HO: Ms. Jaress is available for cross.

17 ALJ KINSEY: Any questions for this witness?

18 MR. SABO: No, Your Honor.

19

20 EXAMINATION

21

22 BY ALJ KINSEY:

23 Q. Ms. Jaress, I think -- does Staff have any
24 concerns with the negotiations that are going on between
25 the City of Mesa and Schuck, I believe it is LLLP,

1 regarding the purchase of the land that is in the proposed
2 extension area?

3 A. Concerns that the negotiations would fall through
4 and there wouldn't be a need for the development?

5 Q. Exactly. And also the fact that the time frame
6 for completion of the negotiation is somewhere maybe
7 180 days out from where we are today.

8 A. Well, what I would see happening is if the
9 Commission gave the extension, approved the extension of
10 the CC&N and the two years for compliance with the order
11 either lapsed or came up and the company requests a time
12 extension, at that time we would ask why they need it and
13 at that time we would find out that the negotiations fell
14 through. And at that time then Staff would make some kind
15 of recommendation and the Commission would decide how to
16 go forward.

17 Q. Okay. And so, in other words, that gives the
18 Commission some kind of assurance that if there is -- for
19 some reason in the future, there is not a reason for this
20 service, that the Commission can review it again at a
21 future point?

22 A. Yes.

23 ALJ KINSEY: I believe that was the only question
24 I had.

25 Any redirect, Ms. Ho?

1 MS. HO: No, Your Honor.

2 ALJ KINSEY: Thank you, Ms. Jaress.

3 Mr. Sabo, would you like to make a closing
4 statement?

5 MR. SABO: No, Your Honor.

6 ALJ KINSEY: Ms. Ho?

7 MS. HO: None.

8 ALJ KINSEY: All right. Well, if there's nothing
9 else, Mr. Sabo, if you could go ahead and just file that
10 Exhibit A as a late-filed exhibit within the next week,
11 that would be great.

12 And I don't believe there was anything else that
13 we had outstanding, unless you all remember something I
14 don't. And we will just -- I will submit a Recommended
15 Opinion and Order to the Commission as soon as possible.

16 Nothing further?

17 MR. SABO: No, Your Honor.

18 MS. HO: Thank you, Your Honor.

19 ALJ KINSEY: All right. Have a great day.

20 (The hearing concluded at 10:58 a.m.)

21

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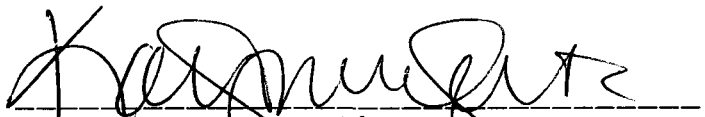
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1 STATE OF ARIZONA.)
2) ss.
3 COUNTY OF MARICOPA)
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7 I, KATE E. BAUMGARTH, RPR, Certified Reporter
8 No. 50582, for the State of Arizona, do hereby certify
9 that the foregoing printed pages constitute a full, and
10 accurate transcript of the proceedings had in the
11 foregoing matter, all done to the best of my skill and
12 ability.
13

14 WITNESS my hand this 3rd day of May, 2009.
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19 
20 Kate E. Baumgarth, RPR
21 Certified Reporter, No. 50582
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